

Labor as a factor of production in tourism economy

Abstract

Factors of production are the means involved in the production of material goods and services. In classical theory, the factors of production are labor, land, capital. They are supplemented in the modern sense by the fourth factor that includes technical and organizational progress, information, innovation and knowledge. Factors of production also contribute to the functioning of the tourism economy. The paper presents the theoretical issues of the role of the factor of labor in a broadly understood tourism economy. Tourism employment includes not only employees of tourism enterprises but also public entities serving tourist traffic in tourist destinations, i.e.: employees of local governments and non-governmental organizations (including tourism associations). The aim of the study is to identify elements that shape the labor factor within the tourism economy. The importance of this factor in the factors of production of the tourism economy was indicated. Quantitative and qualitative criteria for assessing labor in the tourism economy were also presented. In addition, the marketing aspects of the labor factor in the tourism economy were indicated as well.

Keywords: factors of production, labor, tourism economy.

JEL code: J01, M5, Z3

Introduction

In the modern economy, the activities of market players require taking into account not only the conventional system of factors of production: labor, land and capital, but also modern factors. An important element determining the needs of businesses for modern factors of production is the actual process of economic communication. The traditional structure of factors is being supplemented by the modern factors, interpreted as: technical and organizational progress, information, knowledge and innovations, entrepreneurship (Panasiuk 2005, pp. 249-254). However, it should be acknowledged that the basic causal effect the labor factor has on business activity is that it triggers the process of using other factors in practice.

Entities forming part of the broadly understood tourism economy, similarly to other market players, use factors of production in their operation. An important premise in this context is to draw attention to the scope of entities of the tourism economy for whom the labor factor constitutes the foundation for running business. These are primarily tourism companies, but also entities operating in the tourism market on a non-commercial basis, i.e. local government bodies and tourism organizations. The aim of the study is to identify the elements that shape the labor factor in entities constituting the tourism economy. The presented considerations confirm the hypothesis that in the broadly understood tourism economy the most important role is played by the labor factor, including both employees employed in tourism businesses and public entities that implement tasks for the development of tourism. At the same time, the significance of this factor was indicated in the structure of factors of production in the tourism economy. The role of the labor factor in shaping the marketing activities of tourism market entities was outlined. This study is theoretical and conceptual, relying on the literature from the field of economics, tourism economics, and tourism marketing. Due to the nature of the study, the following research methods were used: a critical literature review, methods of logical operators, and the holistic method.

In the article, the following issues were discussed, respectively: general theoretical issues concerning factors of production, the essence and scope of the tourism economy and the structure of factors of production in the tourism economy. Subsequently, a detailed analysis of the labor factor in the tourism economy was carried out, after which the marketing role of this factor in the processes of tourism market entities was indicated.

Workplace in the structure of factors of production

Factors of production are all means participating in the processes of production of tangible goods or services. In terms of activities of enterprises, the following factors of production can be distinguished (Corsten 1992, p. 17):

- primary goods, i.e. mineral resources, water, forests, soil, plants, animals,
- human labor,
- economic industrial goods (capital goods) - machines, buildings, licenses, trademarks, cash capital (cash, shares, bonds and receivables),
- technology – method of manufacture,
- entrepreneurship - ability to combine all factors of production in one process of producing services, which should bring maximum economic effects for the enterprise.

The concept of factors of production was introduced into the theory of economics by A. Smith (1954), and it was developed by D. Ricardo and J.S. Mill (Stankiewicz 2000, pp. 156-174). In the classical economic theory, three basic factors of production are distinguished: labor, land, and capital (Kimberly 2018). These factors in modern approaches are complemented by a fourth, which is given various names, ranging from technical and organizational progress, constituting a logical extension of coexistence and cooperation of three basic factors, through entrepreneurship, to information and knowledge. In either case, it is considered to be the most modern from among the factors of production in the so-called new economy (Filipiak, Panasiuk 2008, pp. 127-129). Innovation should also be included in the scope of meaning of this factor.

Factors of production are also defined as factors of manufacture, that is, the elements (tangible and intangible means) every economic process of an enterprise is based on. Tangible (material) factors are land and capital, while intangible (non-material) factors are labor and information, also known collectively as know-how (Bowden, Bowden 2002, pp. 60-63). Importantly, significant correlations exist between factors of production, and labor is the one that offers the possibility of utilizing the remaining factors.

Labor is the performance of deliberate activities in the production process. It should be considered a specific human activity, which consists in transforming natural assets and adapting them to the satisfaction of human needs, normally subject to a fee. In a way, it is the process of “spending” the workforce (Panasiuk, Szostak, Turner 2005, pp. 73-74). In classical economy, capital concerned only tools and machines, which are currently defined as physical capital. An increasingly important role in the functioning of modern service-providing companies is played by human capital, which is the total of expertise, skills, experience, competences, attitudes and motivations accumulated by employees, which together generate a specific value (Wyrwicka 2010, pp. 12-13). Human capital can also include significant entrepreneurship, which is defined as the ability to organize factors of production, ensuring optimal production of a given product (Glinka, Gudkova 2011, pp. 18-19). In business operations, land becomes a specific location of production and consumption. Labor is a human effort invested in a specific place in the process of production and servicing customers while taking into account the labor intensity of the manufacturing process (Whitehead 2001, pp. 18-19). The labor factor also determines the use of information and knowledge in production processes, the application of technical and organizational progress, and the introduction of innovation. Labor, therefore, is the pivotal factor of production from among all, necessary in the processes of production of goods and services.

Tourism economy

Tourism economy is a set of various economic and social functions developed, directly or indirectly, to meet the human needs for tourism goods and services (Gaworecki 2003, p. 161). This definition underlines the complexity of the tourism economy and its close relationship with the tourism consumption process. In a slightly different perspective, the tourism economy can be formulated as a set of various functions directly or indirectly developed in order to meet the needs of the population related to, and deriving from, the willingness to participate in specific forms and types of tourism and leisure (Kornak, Rapacz 2001, p. 11). Therefore, the tourism economy is a system of market interdependencies arising during the process of satisfying the needs reported by tourists between entrepreneurs and institutions implementing it (Panasiuk 2014, p. 28).

The term *tourism economy* has a broad meaning, covering the tourism industry (i.e. only those areas of economic activity that are geared solely towards satisfying tourism needs), but also other forms of management that go beyond the mere servicing of tourist traffic. The concept of tourism industry is most often referred to the whole area of tourism suppliers, who join the servicing of tourist traffic by producing various goods that meet the needs of tourists (Page, Connell 2006). Tourists use various goods and services produced by various sectors of the economy - industry, transportation, construction, agriculture, as well as other segments of the services sector.

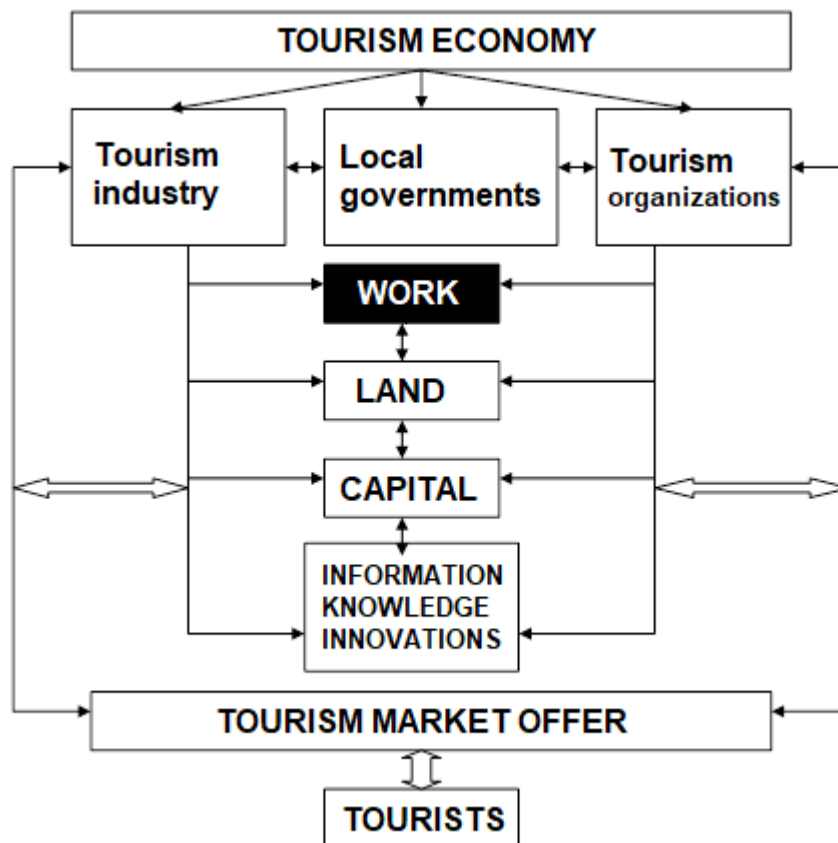
In the conventional perspective, the tourism economy can be divided into direct and indirect (Panasiuk 2008, pp. 23-25). The direct tourism economy includes the activity of only those entities whose operation results from the fulfillment of the demand reported by tourists. It includes, above all, hotel industry, catering, tourist passenger transportation, travel agencies, plus tour operators and tourist information providers. An important element of the direct tourism economy is the engagement of local governments in developing and promoting tourism, as well as the activities conducted by tourism organizations related to promotion and cooperation between businesses in the tourism sector (Panasiuk 2016, pp. 6-7). Measures taken by local governments are decisive in creating local and regional tourism products combining the benefits of individual bidders of the direct tourist economy and paratourism services in destination of tourism. Defining the place of tourism in the structure of the local and regional economy includes in particular: creation of tourism development strategies, cooperation and integration of tourism market entities, and creation of new jobs (Rapacz 2006, pp. 296-299).

The indirect tourism economy is the activity of those economic entities that meet the needs reported by various groups of people (tourists, residents of tourist areas) which do not create typical and characteristic tourism products. Thus, an indirect tourism economy can include banking and insurance companies, other passenger carriers (in regional and local relations), commercial establishments, postal and telecom operators, natural environment protection entities, municipal service providers (public transportation, water and sewage systems, heating, purification), energy suppliers, as well as manufacturers of items such as photographic equipment, travel bags, tourist clothing and footwear, health-and-beauty products or pharmaceuticals (Panasiuk 2013, pp. 73-75). As can be seen, tourism plays an important role in the economic structure, which is the result of analogous needs reported by tourists in the area of their receipt to the needs disclosed in the place of permanent residence.

Factors of production in the tourism economy

Tourism economy is one of the elements that sustain the domestic economy, interrelated and assisted as part of its correlations with other economic sectors. The main part of economic processes in the tourism economy is implemented by the direct tourism economy and the tourism companies that represent it. As in the case of the entire economy, also in tourism, factors of production are necessary to achieve the objectives that are set. Figure 1 shows the structure of factors of production in the tourism economy.

Figure 1. The structure of factors of production in the tourism economy



Source:(based on Panasiuk 2011, p. 91)

Figure 1 shows the factors of production in the tourism economy along with their links. According to the figure, the tourism entities that use factors of production to create an offer on the tourism services market are tourism companies, local governments, and tourism organizations.

Therefore, when analyzing the role of the labor factor in the tourism economy, it should not be limited to the issues of employment in tourism industry entities, but also include employment in other bodies co-creating the offer in the tourist area.

Labor in the tourism economy

As already indicated, labor is a pivotal element in the structure of factors of production. The labor factor in a tourism economy should be analyzed in relation to all employees in direct and indirect entities, i.e. those employed in:

- tourism enterprises,
- other enterprises whose employees perform tasks to meet the needs of tourists,

- local governments involved in creating the tourist offer of the area, implementation of tourism investments, promotion of tourism, provision of tourist information services,
- government administration bodies responsible for the regulation and provision of conditions for the proper functioning of the tourism market,
- tourism organizations, including regional and local tourism organizations, economic local-government organizations, organizations responsible for creating and sharing tourist attractions.

The labor factor should be considered in both quantitative and qualitative terms. The indicator of the number of employees serves primarily to assess the quantitative approach. The quality assessment, however, mainly takes into account education and work experience (Ladkin 2011, pp. 1135-1155). The quantitative and qualitative needs of enterprises in terms of the labor factor are closely related to the size of demand and the level of technical and organizational solutions applied. In the tourism economy, determining the number of employees is complicated and unambiguous. The problem stems mainly from the separation of the elements of direct and indirect tourism economy in the general structure of tourism suppliers, In the case of employees in the direct tourist economy (hotels and catering establishments located in tourist accommodation establishments and in tourist service centers), all employees should be considered employees of the tourism economy. As part of the indirect tourism economy, the following should be taken into account: collective passenger transportation, commercial and service outlets, public transportation and other forms of local infrastructure, banking, postal services and telecom services. These and other similar employees cannot be included in the employment structure of the tourism economy, even though in the receipt areas, they constitute an important element in the creation of a comprehensive tourism product offer. Therefore, the statistics on the number of employees in the tourism economy are varied and they are not objective. This is additionally complicated by the seasonality of the supply structure in some tourist areas, which prompts further difficulties in determining the actual state of employment.

In order for an enterprise to be able to carry out its tasks efficiently in a market economy, it should not only have proper staff in terms of number, but also in terms of professional background. The employee's professional qualifications consist of: theoretical knowledge, experience related to vocational education and practical skills, as well as specific employee characteristics - indispensable or useful in particular in the performance of a given profession. In the analysis of the level of professional qualifications of employees, two most

important criteria are taken into account, namely education and seniority (work experience on a given position); the remaining criteria are rather difficult to measure. From the point of view of the tourism economy, it is advisable to pay attention to education related to tourism and the level of this education. It should be emphasized that the requirements of the modern market should indicate the necessity of employing employees to handle tourist traffic with a minimum of secondary education and confirmed qualifications and professional experience. An indispensable criterion, which should support both the selection and promotion of employees in tourism enterprises are individual features, predispositions to service clients/customers (tourists), foreign language skills, and other skills necessary in the process of contacts with hotel guests, travel agencies, tourist information offices, etc.

However, it should also be borne in mind that the area of tourism economy is also the place of activity of local governments, tourism organizations, and other previously mentioned entities. The labor factor in the tourism economy also includes employees of local government bodies: municipal and *gmina* and *poviat* offices, *starosts* and marshal offices supporting the functioning of the local and regional tourism economy. In addition, local governments in their area engage in the creation of infrastructure and tourism offer. Other groups employed in the indirect tourism economy include almost all municipal service providers who determine the well-being, health and safety of tourists. Accordingly, in areas markedly geared towards tourism, i.e. where the tourism economy has a decisive share in the local revenues and income, the vast majority of people employed in this area can qualify for either the direct or indirect tourism economy.

Tourism economy entities should shape the labor factor, mainly through staff policy instruments: motivation, training, continuous professional development, and creation of promotion paths. In this respect, the sources of financing are important, including European funds, and in particular the European Social Fund programs.

Due to taking into account in the employment structure of employees of tourism enterprises as well as local governments along with tourism organizations, the human factor – as comprehensively understood as it is in the tourism economy - plays a special role, which sets this area of management apart from the others. The number and qualifications of employees are the basic determinant of the level of supply. The value of labor input, for the most part, is a predominant component of the cost structure. It should also be emphasized that a tourism economy usually requires highly qualified labor, more so than in other sectors of the economy. Through the prism of changes taking place in the area of employment, the actual

situation on the tourism labor market can be assessed. Thus, from the point of view of a tourism company, employees and their qualifications are the principal factors of production.

Labor factor as an element of tourism marketing

The labor factor in a tourism economy fulfills particularly important tasks in shaping marketing activities in tourism companies and other entities employing people who perform typically touristic tasks. Staff of tourism economy entities is the most important source of shaping their competitive advantage or possibly, market weakness.

Increased research on the marketing of services has caused the traditional marketing mix concept to expand and include further components (Mruk, Pilarczyk, Sławińska 2012, p. 43). The most popular concept of marketing mix in services is adding a fifth element to the current 4P, and that is staff (people) (Kotler, Keller 2012, pp. 19-21). Employees, and especially those directly dealing with clients/customers, are essential in the shaping of marketing activities in service organizations. The fifth element is often assigned the most important meaning of all because it is the staff who stay in constant contact with the client and they can therefore promote the company's activities on the market (Panasiuk 2013, pp. 89-93).

Thus, the basis of marketing activity of tourism companies is qualified service staff. This applies to both people directly servicing consumers (travel agents, tour guides, tourist guides, receptionists, tourist information providers, and animators), as well as employees at board level. The client/customer evaluates the quality of a tourist product accounting for a number of factors, including the competences of employees, their behavior and their appearance. In a way, these people are the company's "business card" in dealing with clients/customers.

The staff employed in tourist enterprises can be divided into three groups:

- employees directly servicing customers (first-line staff)
- back office staff (second-line staff) - performing executive functions,
- managerial staff - supervising and organizing the work of service and executive staff

An important factor is the characteristic personality traits of an employee of tourism companies, which form the basis for shaping the customer service system. A marketing staff policy aims to shape the employee properly, influencing the quality of their work in the company. In the sense of staff marketing, the employee is also a customer, and so their interests should be at the center of the management's attention. It is necessary to build a team

of employees who, in a conscious and motivated way, will implement external marketing in practice.

The staff policy instruments include:

- employment planning (determination of the appropriate number of staff, determination of required qualifications and personality traits of the employee necessary for a given position),
- recruitment and selection,
- training and development of employees,
- wage and non-wage motivation systems
- objective employee evaluation systems.

The mentioned instruments are used by tourism enterprises and should form the basis for shaping the labor factor for activities in the area of the tourism economy of local government bodies and tourism organizations.

Conclusions

Summarizing the presented considerations on the role of the labor factor in the entire structure of factors of production in the tourism economy, it should be emphasized that all factors of production must be utilized together in order to successfully obtain a tourist product geared towards the consumer (in this case, the tourist). The main factor determining the use of other factors is labor, i.e. humans with their qualifications, activating the entire production process and managing other used factors of production. Information (knowledge) becomes another important factor in this regard, as it allows making decisions related to the use and allocation of other factors of production, i.e. labor (number of employees servicing tourists), land (location of tourist service establishments) and capital (the use of technical solutions, service systems). A particular aspect of the labor factor concerns the issue of marketing. As part of the direct contacts of employees of tourism companies and representatives of non-commercial entities operating in the tourist services market, there are direct links with clients/customers (tourists), which affect the purchase decisions of the clients/customers of enterprises and tourist behavior patterns in tourist areas (e.g. on touristic routes, outdoor events, leisure spots, cultural facilities).

The article is an attempt to discuss issues related to the place of the labor factor in the general structure of factors of production of tourism economy entities. It is important to draw attention to the fact that the analyzed factor is also distinguished in the activities of non-commercial entities of the tourism economy. Employees of local governments and tourism

organizations, in a similar scope to employees of tourism enterprises, influence the development of the offer in a tourist destination. So far, this problem has not been the subject of theoretical or empirical research. Therefore, it can serve as a certain starting point for analyzing this issue in the economic practice of tourism economy entities.

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Praca jako czynnik produkcji w gospodarce turystycznej

Abstrakt

Czynniki produkcji to środki uczestniczące w procesach produkcji zarówno dóbr rzeczowych, jak i usług. W klasycznej teorii czynnikami produkcji są praca, ziemia, kapitał. Uzupełniane są one we współczesnym ujęciu tzw. czwartym czynnikiem, który obejmuje postęp techniczno-organizacyjny, informację, innowacje i wiedzę. Czynniki produkcji stanowią także moc sprawczą funkcjonowania gospodarki turystycznej. W opracowaniu zostaną przedstawione zagadnienia teoretyczne dotyczące roli czynnika pracy w szeroko rozumianej gospodarce turystycznej. Zatrudnienie w turystyce obejmuje nie tylko pracowników przedsiębiorstw turystycznych, ale także podmiotów publicznych obsługujących ruch turystyczny w destynacjach turystycznych, tj. pracowników jednostek samorządu terytorialnego oraz organizacji pozarządowych (w tym stowarzyszeń turystycznych). Celem pracy jest identyfikacja elementów kształtujących czynnik pracy w podmiotach gospodarki turystycznej. Wskazano na rangę tego czynnika w strukturze czynników produkcji w gospodarce turystycznej. Zostały przedstawione ilościowe i jakościowe kryteria oceny pracy, a ponadto wskazano także na marketingowe aspekty czynnika pracy w gospodarce turystycznej.

Słowa kluczowe: czynniki produkcji, praca, gospodarka turystyczna.

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